

AIR WAR COLLEGE

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UNINTENDED CONSEQUENCES OF
A-76
AND
DOWNSIZING OF THE MILITARY

by

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Chapter 1

INTRODUCTION

This paper will provide the reader a framework by which to understand the unintended consequences of the Office of Management and Budget Circular A-76 directed outsourcing/privatizing and downsizing of the military in general. Downsizing has reduced the active duty military personnel pool that accomplishes an increasingly complex and diverse mission. This downsizing, coupled with outsourcing/privatizing and an ever-expanding mission, has increased the operations tempo for today's military members from both an operational mission perspective, but also with regard to accomplishing a fixed number of numerous "military unique" details and additional duties. These duties, such as honor guard, Resourced Augmentation Duty (READY) program, search and recovery teams and "weeds and seeds" do not earn manpower but must continue to be performed as additional duties by the smaller pool of military members that remain. Commanders have always been responsible for a certain amount of workload that must be "taken out of hide", but now the "hide" is much thinner than ever before.

This paper will review three areas of unintended consequences: mission accomplishment, fiscal concerns and morale issues. The impact of these consequences in

each of these areas is equally important, with potentially long-ranging affects, particularly in areas such as retention and recruiting and ultimately, mission capability.

Chapter 2

Current Force Structure/Ops Tempo Situation

Most of the change we think we see in life is due to truths being in and out of favor.

—Robert Frost (1874-1963)

Current Force Structure vs. Historical.

The end of the Cold War and fiscal constraints in the country at the time, led to popular thought that the military should be downsized in the early 1990s. Operation DESERT SHIELD/STORM put the cuts on hold, but plans were already underway to cut the size of the armed forces in half once the crisis was over. In fact, reductions had already taken place and during the fiscal year Operation DESERT SHIELD began, both the Army and the Air Force had the lowest number of personnel on duty since 1950. Once the war was over, downsizing kicked into gear full-force with a nine percent reduction in FY92. This translated into an average of 1,000 service members leaving the military services every 24 hours. For the Air Force, this translated to a reduction of 7.9 percent for 1992 and a total reduction of 22.7 percent since 1986, leaving an end-strength of 470,315.¹ As of September 30, 2001, the Air Force had a total active duty force of 358,800, another 24 percent reduction since 1992 and a 41 percent reduction since 1986.

¹Bart Brasher, “Implosion – Downsizing the U.S. Military 1987 – 2015”, Greenwood Press, Westport, Connecticut, 2000, Chapter 4

The Air Force also had a civilian personnel workforce of 161,870 and a total ready reserve of 231,299.²

Although demobilization and mass exodus following a war were normal in previous conflicts, what was different this time was that for the first time, this force was all-volunteer who for the most part, had hoped to make the military a career.³ An interesting statistic, is that by 1998, the DoD had borne some 80 percent of all government cutbacks with the loss of 355,000 civilian and 743,000 military slots.⁴

Current Ops Tempo vs. Historical.

“The productivity of the Services has been compromised, and ever-increasing numbers and types of missions with continual demands to do more with less have led to increasingly stressful lives. For example, in 1998, the Navy reported a 7,200 recruitment shortfall, while the Air Force had less than a 20 percent success rate in the area of pilot retention. Marines were deploying once every 5 weeks compared to once every 15 weeks just 10 years ago. According to Major General Charles R. Henderson, Deputy Chief of Staff for Air and Space Operations, the Air Force is deployed more than twice as often now as in 1989. Additionally, the soldiers, sailors, and airmen who are not deployed are working longer hours to make up the difference.”⁵ In 1999, the Air Force had an average of 12,000 airmen deployed per day, while 10 years ago, that number was around 2,000.⁶ In addition to the higher deployment tempo, drawdowns and outsourcing have forced the

² “2002 USAF Almanac”, *Air Force Magazine*, Vol 85, No 5, (May 2002): 46

³ Brasher

⁴ Michael J. Brower, “DoD Outsourcing and Privatization”, *Military Review*, Vol 78 Issue 5, (Sep-Nov 98): 64

⁵ James C. Rainey, Lt Col; Beth F. Scott; Jeanette O. Reichard, 1st Lt, eds., “Contractors on the Battlefield”, *Air Force Journal of Logistics*, Dec 99, <http://www.aflma.hq.af.mil/lgj/cob.pdf>

⁶ Steven J. Zamparelli, “Competitive Sourcing and Privatization What Have We Signed Up For”, *Air Force Journal of Logistics*, Vol 23 Issue 3, (Fall 99): 8

requirement for more and more workload to be taken “out-of-hide.” Commanders are forced to double and triple task their folks to get the job done.⁷

Out-of-hide Workload.

There is a significant amount of work that goes on at a base that is not accounted for anywhere on a unit-manning document. There are numerous reasons for this to include: Congress authorizing programs without appropriating additional manning to run the programs (two-member honor guard for every veteran funeral), peacetime authorizations not matching contingency requirements (increase in Force Protection condition), and unrealistic funding for installation maintenance (not getting funded for one percent of plant replacement value.) In addition, some of the manpower earned from justified workload, was wiped out when the Air Force went to the objective wing construct in 1992. In some cases, major commands (MAJCOMS) removed all unfunded authorizations from the UMDs, making it appear as though the unit’s requirements were funded to 100 percent. The workload didn’t go away; just the ability to advocate for the bodies to get it done.

“Everything is a priority” syndrome.

It is a reality now (at least at base-level if not everywhere) that everything must be done and it must be done now. The Air Force has less funding and fewer people, yet is busier than ever before. Nonetheless, its people are expected to produce as much as before. Unfortunately, when everything is a priority, in the end, nothing is a priority. The Air Force has continued to accomplish the mission only because of its superior

⁷ Brenda Morrison, 42d ABW/MO, Maxwell AFB, interviewed by the author, 11 Nov 02

people who will somehow find a way to make it happen because they do not want to say they cannot.

Workload distribution via use of technology.

Yet another way that workload has merely been redistributed versus reduced is the continuing trend toward decentralizing primarily administrative functions such as personnel, finance, etc. Technology allows unit orderly rooms and commanders to do many of the functions from their desks that were once the sole domain of finance and personnel troops. Unfortunately, this just places additional burdens on personnel who need to be working their own piece of the Air Force mission. In addition, many of the systems fielded to run these programs have had numerous problems that only exacerbate the problem (MILPDS [Military Personnel Data System] and Defense Finance Accounting Service [DFAS] for example.)

Chapter 3

Status of A-76 and Downsizing Actions

What exactly is A-76 and why and how is it applied in the Air Force?

The executive branch has encouraged federal agencies to obtain commercially available/low cost goods and services from the private sector since 1955. The Office of Management and Budget (OMB) formalized this policy in its 1966 Circular A-76. In 1979, OMB published a handbook that provided procedures to competitively determine whether commercial activities should be performed in-house or outsourced. The A-76 Circular requires agencies to maintain annual inventories of all commercial activities performed in-house. A similar requirement was included in the Federal Activities Inventory Reform (FAIR) Act of 1998, which directs agencies to develop annual inventories of positions not inherently governmental.⁸ This process was introduced as a way to become more efficient to allow saved funds to be put toward modernization. In a speech to the Defense Science Board on 9 Oct 96, Deputy Defense Secretary of Defense John White said: “DoD’s plans call for a 40 percent increase in funding to modernize our forces over the next five years” and he questioned if that was enough and how much of that funding could really come from efficiencies gained. He went on to say that “outsourcing is a good idea for two reasons. First, it will allow us to focus on our core

⁸ Don Mace, “Overview of A-76 and Its Problems”, *Fedweek*, 6 Nov 02

competencies to conduct joint military operations. Second, there is a large, diverse commercial industrial base out there that can perform many of our support activities better, cheaper and more quickly.⁹ Former Secretary of the Air Force F. Whitten Peters stated in April 2000, that “every time we conduct A-76 competitions we figure out better ways to do business. He also said, “whether the government or private sector is chosen to provide the service, there is always a reduction in cost averaging between 30 to 40 percent.”¹⁰ General Michael C. McMahan, former director of manpower and organization, HQ USAF, offered that the “Air Force and its people benefit from A-76 competitions. He further said “we gain an increase in capability – by freeing up military manpower from non-wartime requirements and migrating them to functions directly supporting the combat mission – and save money to reinvest into quality of life programs – benefiting all Air Force members.” Robert E. Corsi Jr., his deputy, said “There should be no loss in capability. The A-76 study is not about doing “less with less.” It is about providing the same amount of service in a more efficient manner.”¹¹

The Air Force initiated an outsourcing “JUMP START” program in Nov 96 to evaluate potential candidates for competition. Only inherently governmental, military essential and legislatively protected activities were considered exempt as candidates for evaluation.¹² This project was the next step in the Air Force’s efforts to meet its \$1.2 billion savings goal through outsourcing and privatization and identified an additional

⁹ John White, Deputy Secretary of Defense, “Taking Stock of Ourselves”, Remarks to Defense Science Board Dinner, Washington, 9 Oct 96, *Defense Link*, www.defenselink.mil/speeches/1996/s19961009-white.html

¹⁰ Boske, SrA A.J., HQ USAF, “SECAF Dispels Outsourcing, Conversion Rumors, 5 April 2000, n.p., on-line, Internet, 27 Oct 02, www.afpc.randolph.af.mil/PCFM/New

¹¹ Ibid

¹² “Outsourcing and Privatization”, *Air Force Key Message*, 27 Oct 02, www.af.mil/lib/afissues/1998/issue98.html

100,000 military and civilian authorizations as prime candidates for study.¹³ Cost comparisons conducted between 1978 and 1994 showed savings of about \$1.5B per year and allowed the DoD to reduce its annual operating costs by about 31 percent. For the Air Force, the yearly savings were estimated at \$400M per year according to Colonel Michael Collins, former Chief of the Air Force Outsourcing Office.¹⁴

The promise of A-76 has not however, been the total panacea was purported to be in some circles. The Department of Defense has predicted over \$2 billion in savings annually by 2003 from outsourcing activities that involve about 130,000 civilian personnel. The Air Force projects a 20-percent cost savings of up to \$1.26 billion initially from outsourcing mostly base support functions between 1998 and 2003. As stated previously however, the Government Accounting Office (GAO) expressed concerns about whether these projected savings are realistic. They state that the estimated savings are based on unverified projections rather than actual results and where audited, the reality did not match the projections, even though the costs of the competitions were not taken into consideration. In talking with base officials, the GAO found that many expressed concern that personnel downsizing had already eliminated much of the potential for outsourcing to achieve additional personnel savings. The Government Accounting Office (GAO) has said they are concerned that the projected savings of 20 to 40 percent reported from A-76 competitions are not reliable.¹⁵ For one thing, a competition can take as long as two years to complete and cost as much as

¹³ Greg Hollister, "Don't Stop at Overhauling the Pentagon", *Air Force Times*, Vol 57 Issue 29, (17 Feb 97): 37

¹⁴ Stephen E. Newbold, "Competitive Sourcing and Privatization: An Essential USAF Strategy", *Air Force Journal of Logistics*, Vol 23 Issue 1, (Spring 99): 28

¹⁵ "Defense Outsourcing: Challenges Facing DoD As it Attempts to Save Billions in Infrastructure Costs," *GAO Testimony*, 12 Mar 97, GAO/T-NSIAD-97-110, <http://frwebgate.access.gpo.gov/cgi-bin/useftp.cgi?IpAddress=162.140.64.21&Filename=ns98062.txt&directory=/diskb/wais/data/gao>

\$2,500 per job studied (in some cases, this estimate is reported to be as high as \$9K.) “A-76 can be a long and difficult process that’s painful to the command and disruptive to the workforce. It’s not an easy sale,” says Jerry Stark, the Marine Corps’ deputy director for installation reform.¹⁶ “Fundamentally, outsourcing is the pursuit of reduced employee labor costs at a break-even quality.” While there are other ways of reducing costs (velocity management, process reengineering, single-stock funds, use of technology, etc.), none produce results as quickly as payroll reductions.¹⁷ In addition, as soon as the announcement of an A-76 study is made, the military authorizations assigned to that workload are deleted and the long tortuous process of losing them through attrition begins.

Competitive sourcing under A-76 has also been the subject of much controversy from both the public and private sector. Federal managers have been concerned about the associated organizational turbulence following announcement of studies and government employees have been concerned about the impact of competition on their jobs, the chance for input to the process, and the lack of parity with industry to protest A-76 decisions. There have also been concerns raised about the adequacy of the oversight of subsequent performance. Because of these concerns, Congress enacted section 832 of the National Defense Authorization Act for Fiscal Year 2001. “This act required the Comptroller General to convene a panel of experts to study the policies and procedures governing the transfer of federal government commercial activities to the private sector. The most serious shortcoming of A-76 that the Panel found was that the process had been stretched

¹⁶ George Cahlink, “Downsizing Detour”, *Government Executive*, Vol 33, Issue 1, (Jan 01): 47

¹⁷ Michael J. Brower, “DoD Outsourcing and Privatization”, *Military Review*, Vol 78 Issue 5, (Sep-Nov 98): 64

beyond its original purpose. A-76 was originally designed to determine the low-cost provider of a defined set of services but now, competitions seek to identify the best provider in terms of quality, innovation, flexibility, and reliability.¹⁸ Although the resulting outcome is potentially much better for the agencies involved, the concern is that the A-76 process may no longer be the best one to achieve the desired objectives.

Workload unmeasured in the A-76 process.

There have been numerous problems for the Air Force with the A-76 process but one of the most painful for base-level is the fact that there is so much workload involved in running a base that is not included in the competition process. As discussed earlier, there are numerous “out-of-hide” functions, which earn no manpower but nevertheless, must be done. This workload is often not included in the outsourcing statement of work. Once the contractor wins the contract and the military and/or civilian authorizations are deleted from the books, there is no longer anyone in the organization to do that workload. The only answer is to pay the contractor more to do the additional workload (funds are almost always not available) or, which is often the case, expect military personnel in other units pick up the slack. As the GAO discussed in their 1997 report to Congress, competition, not outsourcing, has been the key to savings. Data shows that winners of competitions, whether the government MEO or a contractor, generally used fewer people to do the work.¹⁹ “The work” however, is the previously measured workload on which the manpower provided was based. It does not include all the additional duties that must be

¹⁸ Mace

¹⁹ “Base Operations: Challenges Confronting DOD as It Renews Emphasis on Outsourcing”, *GAO Audit Report*, Gao/NSIAD-97-86, 11 Mar97, n.p., Internet, 27 Oct 02, <http://frwebgate.access.gpo.gov/cgi-bin/useftp.cgi?IpAddress=162.140.64.21&filename=ns98041.txt&directory=/diskb/wais/data/gao>

done by others once the workforce is outsourced.

Ancillary Benefits of A-76.

Although data validating the purported 20 to 40 percent savings is hard to find, there is no doubt efficiencies have been achieved. This is largely in part because just even the possibility of an outsourcing study forces leaders to think about streamlining, reorganizing and reengineering their organizations. When forced with an actual study, leaders must evaluate the productivity/usefulness of every worker, just as civilian industry does all the time. This can encourage good workers to do even better, and highlights the sub-par performers even more. In the best of cases, this allows poor employees to be culled from the workforce prior to a RIF which can force good and poor workers out indiscriminately.

Another potential benefit of an A-76 study is it may improve management/union relationship, at least temporarily. Both management and union leaders realize they must work together to become more efficient so they can win the Most Efficient Organization (MEO.) In addition, some organizations have enhanced their ability to compete by using experienced consultant firms to analyze their operations. This usually results in improved operations no matter which way the outsourcing study ends up.²⁰

²⁰ David Ellison, Captain, "Outsourcing and Privatization" (*masters' thesis, Air Force Institute of Technology*), (Feb 01): 74

Chapter 4

Unintended Consequences

Introduction.

Although there are documented positive results from outsourcing and privatization (such as some cost savings, smarter utilization of available military manpower, and capitalization on unique skills some contractors have), there have also been numerous unintended negative consequences of the effort. These consequences span the full spectrum, but can probably be grouped into three main areas: mission accomplishment, fiscal, and morale.

Mission Accomplishment.

President Bush said, “we must put strategy first, then spending. Our defense vision will drive our defense budget, not the other way around.” Unfortunately, that is not necessarily the case. A-76 and downsizing is more about building organizations that are designed to be most efficient during peacetime versus truly effective on the battlefield.²¹ The key to ensuring continued mission accomplishment after A-76 is an accurate portrayal of the workload required. Often this is difficult to measure since the Air

²¹Lt Col Warren M. Anderson; LTC John J. McGuiness; CDR John S. Spicer; “And the Survey says...The Effectiveness of DoD Outsourcing and Privatization Efforts”, *Acquisition Review Quarterly*, (Spring 2002)

Force's organic workforce (military and civilian) often work more than the standard 40 hour workweek without compensation and accomplish the tasks required regardless of whether these tasks were included in their position description. It is not until the function is contracted out, and the work goes undone because it was not specified in the contract, that the Air Force realizes there is a problem. By that time, a modification to the contract is often cost-prohibitive. The bottom line is that the contractor, no matter how dedicated to the Air Force mission (and there are some who are), is in business to make a profit. If he doesn't charge the Air Force for the service he is providing, he won't be in business long. During the A-76 of the base operating support (BOS) at Maxwell AFB, a trio of contractors was hired to write the performance requirements document (PRD) at a cost of \$3.4M. A relatively short document considering the workload it was describing, the PRD was written in a non-specific manner and cited the Air Force Instructions (AFIs) to describe the specific workload to be accomplished. Unfortunately, the Services Squadron leadership at that installation has not found AFI citation to be enough to force the contractor to accomplish the intent of the AFI. This is usually due to some ambiguity on the part of the AFI. Some specific examples of this include: (1) contractor refuses to organize/provide support for the Air Force Tops in Blue performance without an additional \$10K payment and, they say it will take them one month to plan the support, (2) contractor disagrees with requirement to hold NAF Council meetings, and (3) contractor has determined they do not need to have a trainer that provides face-to-face training to Services personnel but rather they can do the training by video, and (4) they have chosen not to offer oil changes at the Auto Hobby Shop which the AFI says "may be provided", even though it means a significant

reduction in revenue generated.²² “One of the hardest things for military personnel to do is to learn to interpret a contractual agreement literally, to assume nothing.”²³ This is very different from working with military members and civilian employees with whom a willingness to do whatever it takes to get the job done is implicit. Contractors simply operate in a different culture. Yes, there are recourses for the government to get the contractor to comply, but often these processes are labor and time intensive and viewed as more trouble than they are worth, at least over the short term. In addition, the incentives for contractors to continuously improve and go above and beyond are usually not the same as for the in-house workforce. Some types of contracts may provide monetary incentives for contractors who perform exceptionally well, but the funds must be available in the first place for this to occur. This often leads to lower expectations from senior leaders when a function is contracted out. A level of performance that would not have been acceptable from a blue suiter or civilian worker is now accepted from a contractor and even worse, any remaining in-house workforce will be expected to pick up the slack. An example of this is at an AETC base where the senior ranking individual on the base continues to demand extensive, labor intensive monthly briefings on the Services operation, even though the now contracted area responsible for producing those briefings refuses to since it isn’t in the contract. The senior leader hasn’t backed off on requiring the briefings so the organization chief and deputy spend a large portion of their time building the briefings every month.²⁴

²² Kathy Gutierrez and Deb Root, 42nd Services Squadron, Maxwell AFB, interviewed by the author, 31 Oct 02

²³ Steven J. Zamparelli, “Competitive Sourcing and Privatization What Have We Signed Up For”, *Air Force Journal of Logistics*, Vol 23 Issue 3, (Fall 99): 8

The reduction of the military force at certain bases has also exacerbated the ability to effectively accomplish required training. An example of a negative impact of A-76 actions on the ability to train is the outsourcing of flight line maintenance and civil engineering at Tyndall AFB. Although the Services Squadron still had a responsibility to bivouac and set up field feeding operations to meet their wartime training requirements, they no longer had sufficient personnel to feed because contractors had replaced the troops who would be fed. In fact, in AETC, 48% of the military food service personnel are first-term airman who just aren't receiving adequate opportunity to progress on their skills and are left lacking when it is time to deploy.²⁵

Readiness can also be significantly impacted at those installations where large portions have been outsourced. The Maxwell AFB Services Squadron went from a military force of 60 in 1999 to only seven and counting at the end of October 2002. Nonetheless, they are still expected to provide the same amount of support for exercise operations such as unit control center and disaster control group manning, and search and recovery team support. In addition, this often comes at the same time as requests for third country national (TCN) escort personnel, READY team augmentation, and honor guard manning. In the case of at least the latter two, Services is only tasked for part of the workload, but other tasked units have had much the same problem in fielding the support following the wing's cut of 424 military as a result of the BOS A-76.²⁶ On a larger scale, none of the military services have as many personnel as they require, and follow-on forces (as opposed to forward deployed), have a lower priority when personnel

²⁵ CMSgt Ron Redfield-Lyon, HQ AETC/SVFO, Randolph AFB, interviewed by the author, 28 Oct 02

²⁶ Gutierrez and Root

shortages exist. These shortages negatively affect training opportunities across the board and therefore, readiness.

The bottom line on the A-76 and downsizing initiatives in the Air Force will be their effect on readiness. The Air Force has seen some trends developing and has now begun to work an initiative to address some of the issues. One in particular, is the Human Capital Task Force. This initiative has identified several career fields that cannot support direct or contract conversion, due to their low density/high demand status. In AETC, these are several such as: Communications AFSCs, Chaplains and Dorm Managers to name a few. One reason cited for the disconnect is conflicting objectives between AF/XO and AF/DP/XP. XO has been tasked to posture all military for deployment, while DP and XP are reacting to the OSD/OMB mandate to best source. Another reason for the disconnect is the FAIR Act coding may not be compatible with the AEF Construct.

This task force is also addressing several other related concerns such as the effects of military conversions on READY/Details (unmeasured workload), the effects of conversions on military rotations and retention, and piecemeal conversions of one AFSC across several installations. Commanders at A-76 installations have expressed concern over the loss of blue suit manpower, finding it difficult to field READY augmentees for mobility lines and other details such as weeds and seeds, honor guard, and search and recovery team. There are also concerns about CONUS bases losing the benefit of rotating military that bring new talents/expertise to the table; will these bases stagnate due to low turnover?

Finally, there is some concern that outsourcing and privatization is not being accomplished in a standardized manner. The Air Force has in many cases, allowed “county option” whereby commanders are strongly encouraged to contract out base support functions. Some wings, for example, have turned the majority of their civil engineering functions over to contractors, while others have not. Due to the move to the Air Expeditionary Force (AEF) structure, there is now growing concern over the lack of organic engineering skills at some locations.²⁷ Lack of organic capability is often exacerbated by a lack of adequate funding to buy inorganic capability.

Fiscal.

The increase in contracts translates directly into more of a Wing Commander’s budget tied up in must-fund contracts thereby leaving her less discretionary funds for people programs. This is often exacerbated by the fact the contracts are not always written as well as they should be. A 1997 GAO report to Congress states that Service officials have acknowledged the cost creep. The reasons cited for this is inadequate initial statements of work, other changes to performance work statements necessitated by new missions, and mandated increases to wages.²⁸ House Republicans said much the same in last year’s defense appropriation’s bill: “there is no clear evidence that the current Department of Defense (DoD) outsourcing and privatization effort is reducing the cost of support functions within DoD with high cost contractors simply replacing government employees. In addition, the current privatization effort appears to have created serious oversight problems for DoD, especially in those cases where DoD has

²⁷ Briefing on Human Capital Task Force, Air Education and Training Command, n.d.

contracted for financial management and other routine administrative functions.”²⁹ The GAO found that increases can occur when funding becomes available to restore a level of service that had been reduced in a time of more limited funding, such as maintenance and repair activities.³⁰ In 1985, the GAO reported that of a sample 20 functions contracted out, all but 1 of the 20 had contract cost increases primarily because of added work and mandated wage increases. As mentioned earlier, one of the reasons costs will increase is because level of service is restored when more funding is available. A more likely scenario is the potential for increases in the work level to rectify the long-standing backlog of maintenance and repair work that has been put off due to insufficient funding. A 1995 DOD Inspector General’s report on cost growth noted that “the goal of downsizing the Federal workforce is widely perceived as placing DOD in a position of having to contract for services regardless of what is more desirable and cost effective.”³¹

Sometimes, contractors are too driven by the bottom line and see the government as a bottomless pit of money and resources. Examples are plentiful such as food service and maintenance and repair provided to the Army being low balled by the contractor and costing \$600K more than if they had been retained in house. “At Fort Sill, Oklahoma, the contractor exceeded his cost-plus contract bid by \$14.8M. Unfortunately, when an agency finds a contractor’s performance completely unacceptable, it is usually too late to

²⁸ “Base Operations: Challenges Confronting DOD as it Renews Emphasis on Outsourcing”, 11 Mar 97, GAO/NSIAD-97-86, frwebgate.access.gpo.gov/cgi-bin/useftp.cgi?IP.address=162.140.64.21&filename=ns98041.txt&directory=diskb/wais/data/gao

²⁹ Quoted in David Ellison, “Outsourcing and Privatization”, “Contracting Out and Privatization,” *American Federation of Government Employees Position Paper*, <http://www.governmentexecutive.com/outsourcing>, (Jan 2001)

³⁰ Defense Outsourcing: Challenges Facing DoD As it Attempts to Save Billions in Infrastructure Costs, GAO Testimony, 12 Mar 97, GAO/T-NSIAD-97-110, frwebgate.access.gpo.gov/cgi-bin/useftp.cgi?IPaddress=162.140.64.21&Filename=ns98062.txt&directory=/diskb/wais/data/gao

³¹ Base Operations: Challenges Confronting DoD

revert back to a government in-house work force – the funding, positions, and people are no longer available. Ultimately, service suffers, the desired end state contracted for does not happen, and employees must be hired to perform the work on a temporary basis until the contract can be reworked. Subsequently, a work force that is already overworked and undermanned must now provide the required management oversight. This added stress becomes even more critical when viewed in the light of today’s operating tempos.”³²

The Air Force once used primarily statements of work (which provide very specific guidance) to identify the work to be accomplished, then transitioned to performance or outcome based contracts. Unfortunately, this was not the panacea in all cases as highlighted by a recent case within the Maxwell Services Squadron. The marketing function was direct converted (a process for organizations with less than 10 personnel, that transitions to contract without competition) and after the contract was in-place, leadership decided to ask for a monthly magazine for advertisement versus the bi-weekly newsletter called for in the contract. As a result of the change, the contractor came back with a request for \$45K in additional compensation, (when the entire contract for marketing is only worth \$100K), even though the workload was actually less than originally requested and replaced something already in the contract. AETC is now considering going back to the statement of work type of contracts over concerns that performance based contracts are more prone to encourage cost creep.³³

Another largely unanticipated consequence has been on the nonappropriated fund (NAF) side of the house. An indirect impact has been the reduced support from base civil engineers for maintenance and repair as a result of the contracting out of these

³² Air Force Logistics Management Agency – Contractors on the Battlefield

functions. This has often resulted in Services (particularly in lodging), having to provide this support out of NAFs, which significantly hampers their ability to provide the quality programs for which this money is intended. More directly, during the A-76 process, organizations are not authorized to fill vacant slots. In the case of Services squadrons and their child care functions, these positions simply cannot go unfilled. The problem is often solved by hiring temporary employees with NAFs thereby driving down fund equity. Lackland AFB filled 10 CDC/Youth Center spaces during their A-76 process at a cost of several hundred thousand dollars. In addition, contracting out large swathes of a base workforce erodes the customer base for the morale, welfare and recreation (MWR) programs, which depend on NAF generation to provide the full range of programs to the base populace. Although, contractors are normally authorized to use these operations, they usually don't. Contractor personnel are usually older, with grown families, have limited lunch times, and don't live on the installation. In many cases, this has resulted in a decrease in club membership, golf rounds and bowling lineage, all category C operations which help support the rest of the MWR program.³⁴

Another significant unintended consequence is budget disconnects due to incorrectly estimated cost savings. As of 1 Jan 02, the Air Force Audit Agency picked up responsibility for independently reviewing the costs associated with all A-76 studies. After one of these reviews at MacDill AFB, FL, they reported that the A-76 study at the 6th Air Mobility Wing overstated cost savings of four direct conversion contracts by a total of over \$9 million. Most of this was in the civil engineering area and regarded

³³ CMSgt Redfield-Lyon

³⁴ Les Coalson, HQ AETC/SV2, E-mail sent to author, subject: "Unintended Consequences of A-76", 10/24/02

personnel costs.³⁵ In some cases, inadequate oversight is the culprit. At the Oklahoma City Air Logistics Center at Tinker AFB, OK, the AFAA found that DynPar, LLC submitted invoices for 9 months and was paid nearly \$93,0000 for the Pest Management Services even though they did not perform this work.³⁶

In the case of Services squadrons, many of their functions such as mess attendant functions in dining facilities, were outsourced before A-76 really came into vogue. Unfortunately, this outsourcing was done without the competitive process required by A-76. In addition, many of these contracts went to the National Institute for the Severely Handicapped (NISH) or small business (8A) contractors. These contracts have a congressional law that gives them many priorities over other type of companies. "In ACC's experience in mess attendant and food service, the costs averaged almost 30 percent more than a similar sized base that was able to go to a competitive source. Moreover, once a NISH contractor gets it unless they give it up they have it forever and it is never re-competed."³⁷

Morale.

Economics should not however, be the overriding factor in the decision-making process. The human factor is significant and must not be ignored. Unfortunately, its relationship to military readiness and preparedness is hard to quantify.³⁸ A-76 and downsizing have resulted in numerous negative consequences on morale and retention.

³⁵ *Installation Report of Audit, F2002-0042-EM0000, Contract Cost Performance Following and Office of Management and Budget Circular A-76 Review, 6th Air Mobility Wing, MacDill AFB, FL, Southeast Area Audit Office, 10 Jul 2002*

³⁶ *Installation Report of Audit, F2002-0015-DT0000, Contract Cost Performance Following and Office of Management and Budget Circular A-76 Review, Oklahoma City Air Logistics Center, Tinker AFB, OK Tinker Area Audit Office, 6 May 2002*

³⁷ Ellison, p. 86

³⁸ Air Force Logistics Management Agency

Some of the worst impact has been visited on the Air Force's civilian personnel. Often, these personnel who have worked for the Air Force for 20 plus years are told "thanks for your efforts, but if we can find someone cheaper, we will use them. What used to be a career becomes just a job."³⁹ In fact, in many cases, these employees are the same personnel who are expected to work the A-76 mechanics. Yes, many civilian employees are hired by the contractor, but sometimes, the Air Force's lack of loyalty to these long time employees prompts some of the best to just opt out. As for the military, their morale is impacted by uncertainty, undermanning during the process caused by vacant space freezes, and in the bigger picture, the need for the remaining military to pick up the additional duty workload still left to do. An anonymous leader in the Services business said: "what I have observed thus far in the A-76 process is a shotgun approach to picking and choosing what functions to study and possibly convert under the program. Those affected by the overall process have become disheartened, disenchanted with the system, and generally feel as if they are being thrown in as a token sacrifice to stave off further studies. I would agree with this. We can always get more efficient. O&P-ing everything is not the answer."⁴⁰

The Federal Managers Association testified before Congress in 2001 citing "many issues that impact the activity aside from just cost, such as morale, downgrading of employees, loss of experienced workers, and the training costs of new employees."⁴¹ Even when the civilian workforce wins the MEO, the employee/employer relationship is somewhat damaged. It is not unusual for the workers left behind after A-76 forced cuts

³⁹ Coalson

⁴⁰ Ellison

⁴¹ "FMA Testifies Before House on Outsourcing Concerns, Re-emphasizes Need to Establish Most Efficient Organization, 28 Jun 01

to have low morale because they must now do not only their jobs, but that of their co-workers who were cut. And, they know that if further cuts are required, they could be next.⁴²

For military members in a career field that is outsourced or privatized, there are fewer and fewer places they can be stationed. Usually, this means they can only go overseas, or to a continental United States (CONUS) base which has significant deployment responsibilities. Both of these options can offer a significant reduction in quality of life and therefore retention. Compounding that trend is the fact that privatization provides civilian job opportunities for skilled military members. Just when the military gets a member fully trained, he can easily be wooed to leave the military and go to work for the contractor. In the long term however, industry will also lose out because their primary source of trained and uniquely skilled labor is eroding. Ultimately, this will come back to bite the military in the form of increased contractor costs.⁴³

The impact of all these unintended consequences has yet to be fully realized. There can be no doubt though, that there will be impacts and they will pose some new challenges with which leadership at all levels will have to deal.

⁴² Ellison

⁴³ Zamparelli

Chapter 5

Impact of Unintended Consequences

When it is not necessary to change, it is necessary not to change.

Lucius Cary, Lord Falkland (1610-1643)

Short-term.

In light of the current debate about whether or not the U.S. should take preemptive action against Iraq, one must consider contractor support during wartime as an issue that may deserve consideration in the short-term. In fact, contractor support of the military, even during wartime, is not a new phenomenon. As far back as George Washington's Continental Army, civilians were used to drive wagons, provide architect/engineering and carpentry services, obtain foodstuffs and provide medical services. What is different now is not the fact that civilians/contractors are supporting these operations, but the scope, location, and criticality of that support. Nonmilitary personnel are maintaining fielded weapon systems, supporting field operations, and managing and operating information and intelligence systems. A DoD Inspector General June 1991 audit report stated: "if contractors leave their jobs during a crisis or hostile situation, the readiness of vital defense systems and the ability of the Armed Forces to perform their assigned missions would be jeopardized."⁴⁴ Regardless of these concerns, the trend of using civilian

⁴⁴ Zamparelli

operators in theater (contractors deploying with the troops) to support logistics and combat operations is continuing. During NATO peacekeeping operations in Bosnia, one in 10 Americans was a civilian. By contrast, that number was one in 50 during the Persian Gulf War. Reasons for this trend include: deep cuts in uniformed personnel, a push to privatize functions that can be done outside the military, a growing reliance on contractors to maintain increasingly sophisticated weapon systems, and to “provide flexibility in the face of congressional, executive branch, or host-country-mandated troop ceilings.”⁴⁵ As military force and budget cuts continue, the skills being reduced or eliminated are related more to operations, as opposed to their historical base support focus. Nonoperations are defined in terms of what is privatized instead of whether the function is core to warfighting.⁴⁶ Downsizing has made it necessary for contractor personnel go to the front lines to support their weapon systems and perform functions previously done by military members. We have basically stopped trying to keep an organic ability, thus creating a hybrid, not a military member, but also not the historical civilian who accompanies the troops. The ramifications may be significant to fighting and winning.⁴⁷

The main problem is that the DoD cannot ensure that the contractor will be there when hostilities begin. Legally, contractors cannot be forced to go into harms way, even when under contract, unless there is a formal declaration of war. In 1980, the Logistics Management Institute published a study entitled “DoD Use of Civilian Technicians.” The report summary stated: “...continued reliance on civilian technicians means that maintenance skills are not being successfully transferred from the producer to the

⁴⁵ Ibid

⁴⁶ Ibid

ultimate user of the system. Should civilians leave their job in wartime or other periods of heightened tension, the material readiness of key systems would be jeopardized.”⁴⁸ Prior to the conflict in Bosnia, the U.S. Army had contracted out some of its civil engineering functions. Brown and Root Services Corporation won the bid and was responsible for constructing and setting up support facilities such as showers, bathrooms, dining areas, sleeping quarters, equipment storage, offices, warehouses, and maintenance areas. When called upon to perform this work however, Brown and Root refused because they did not want to expose their employees to a hostile work environment. The Army was then forced to call upon the Air Force’s in-house Civil Engineering Red Horse Team.⁴⁹

Force protection is a huge issue now and the increased number of contractors in theater has definitely complicated this concern. Commanders are required to provide security for these noncombatants but these personnel may not be living or performing their jobs at the base or compound. They may have family accompanying them, and they are not required to observe the same restrictions as military members. Further adding to the problem is the fact that these personnel cannot augment the force protection experts. As the contractor to military member ratio increases, fewer and fewer military members are available to provide the full-range of support (including force protection) that is required. “The result is longer shifts, more deployments, and a severe drop in retention rates, further compounding the problem.”⁵⁰ The single deadliest incident during the Gulf

⁴⁷ Ibid

⁴⁸ Ibid

⁴⁹ Quoted in David Ellison, “Outsourcing and Privatization”, Kari Mostert, *Air Force Institute of Technology*, Instructor, Nov 96

⁵⁰ Michael J. Brower, “Outland: The Vogue of DoD Outsourcing and Privatization, *Acquisition Review Quarterly*, Fall 97, www.dau.mil/pubs/arg/97qrq/growe.pdf, (27 Oct 02):386

War occurred when an Iraqi scud missile hit barracks housing Army Reservists who were providing water purification support far from the front. The military now relies heavily on contractors for this support. If death becomes a real threat, some contractors will surely exercise their legal rights to get out of the theater. Not too long ago, that may have simply meant no hot food or reduced morale and welfare activity. Today, it could mean the only personnel qualified to accomplish a critical core competency tasking, such as weapon system maintenance or communications and surveillance system operations, have left and gone home. “Warfare is changing. It appears, unfortunately, that rather than face this change, we are hoping that nobody notices.”⁵¹

Long-term.

The long term promises to be the main area of problem with A-76 and downsizing because as stated in the Fall 1997 edition of Acquisition Review Quarterly, “government reformers are notoriously short-term thinkers. Lt Gen William J. Donahue, former director of Air Force communications and information said in 1998 that “there are a lot of contractors who express interest in outsourcing and privatization work. But peel back the onion a few layers and you come away with the conclusion that they want our people. They hope to come in and bid our work, hire our people, get extremely lean and efficient and use the remaining workers to service business backlog that they now face.”⁵²

One of the facts this article points to is that these government reformers “forget or never bother to calculate the stimulation that government paychecks have in the economy.” Whereas in the private sector, a firm can hire more workers when business

⁵¹ Zamparelli

⁵² Clarence A. Robinson, Jr., “Outside-the-Box Thinking Spurs Air Force Competitive Sourcing”, SIGNAL Magazine, June 1998, 27 Oct 02

requires it and lay them off in a downturn that is not the case in the government. Unfortunately, the trends of outsourcing, privatizing and downsizing are contributing to the destruction of good, tax-base creating jobs in the public and private sector. After all, the bottom line on cost reduction through outsourcing and privatization is that savings are accomplished by reducing the price of the employee. Basically, outsourcing and privatization is taking good paying, middle class, tax-base-creating jobs a rarity. Michael Brower says that “the impulse to outsource and privatize in order to save the taxpayer money is a noble goal. But when the majority of taxpayers are the very workers injured in the process, caution and case-by-case consideration is prudent.”⁵³ “When the vogue of O&P fades, its legacy will be one of short-term profit, long-term economic instability and a degenerated level of national security-all at the expense of average defense workers who are O&P’s chief source of value and profit.”⁵⁴

⁵³ Michael J. Brower, “Privatization and the Defense Worker’s Opposition”, *Program Manager*, Vol 25 Issue 5, (Sep/Oct 96): 19

⁵⁴ Michael J. Brower, “DoD Outsourcing and Privatization”, *Military Review*, Vol 78 Issue 5, (Sep-Nov 98): 64

Chapter 6

Conclusion

Concerns about A-76 and downsizing continue to grow, even as the DoD continues to look for more efficiencies. The House National Service Committee (HNSC) acknowledged the DoD's plans to outsource more than 100,000 civilian positions between FYs 1998 and 2003 as an effort to achieve efficiencies. They also however, expressed several concerns about these plans. These concerns were: (1) DoD is looking at outsourcing functions and services currently provided by military personnel, but continues to retain these military personnel, (2) is outsourcing training services and functions really smart?, and (3) will the DoD have enough personnel and resources to administer the increased contract monitoring workload associated with the outsourcing. The HNSC therefore directed the Secretary of Defense to review the issue and report back on the costs, savings and scope of the DoD's outsourcing plans. The committee also asked SECDEF to "identify any studies the DoD planned to review the return of outsourced services and functions to the private sector."⁵⁵

There are two main reasons the DoD needs to get leaner. First is the fact that the Cold War is over and a different type of fighting force is needed to combat today's asymmetrical threats. Second, is the need to find funding for modernization.

⁵⁵ Quoted in David Ellison, "Outsourcing and Privatization", A. Wallace, "Contract Law Developments Of 1997 -- The Year In Review," *Army Lawyer*, (Jan 98): 115

A-76 is not the only way to achieve the objectives, but it has served at least so far, to mollify those demanding results. Unfortunately, those in charge who took credit for the savings, have often moved on to bigger and better jobs before the impact of the results can be felt. In addition, to those at the top mandating the cuts, this process is often just a faceless numbers game; leaders at the local level are the ones left sweeping up the broken glass. Only time will tell if the broken glass is “only” disenchanted personnel and more expensive operating costs, or in the worst case scenario, the DoD’s inability to effectively accomplish its wartime mission. More than likely, the pendulum will swing back somewhat to a trend toward an in-house workforce. In any case, it will be the Air Force’s people (if any good ones are left) who will make it all work, regardless of what they still have to work with.

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